Follow-up Audit
Reporting Accidents, Damage, and Loss

January 2001

City Auditor's Office

City of Kansas City, Missouri

January 17, 2001

Honorable Mayor and Members of the City Council:

This follow-up audit of the city's system of reporting accidents, damage, and loss to city assets was initiated pursuant to Article II, Section 13 of the city charter. The follow-up was designed to assess the progress made in establishing a system for collecting, analyzing, and reporting information related to accidents, damage, and loss. Our efforts were also directed toward determining whether procedures have been implemented for conducting periodic inventories of the city's fixed assets.

The city's system for collecting and managing accident, damage, and loss information has improved. Regulations were consolidated and revised, and a new reporting form and management information system were developed. In addition, several key positions were added, including a security manager, risk manager, and internal auditor.

Opportunities to strengthen the accident, damage, and loss system still exist. Despite establishing a uniform policy for collecting information, departments are not reporting incidents consistently. In addition, the information collected does not meet the needs of some stakeholders. As a result, information related to accident, damage, and loss incidents is not centralized and continues to be maintained in individual departments. To improve the information available to managers, we recommend simplifying the reporting requirements and instructions, establishing dollar reporting thresholds, and incorporating accident, damage, and loss information into a comprehensive risk management information system.

Our original audit also reported that city regulations did not require a periodic physical inventory of fixed assets. Physical inventories are still not required, although the Finance Department plans to require them. Policies and procedures for conducting periodic physical inventories of the city's fixed assets should be established.

The city manager and director of Finance received a draft of this report on November 22, 2000. Their written responses are included as appendices. We appreciate the courtesy and cooperation extended to us during this project by city staff. The audit team for this project was Martin Tennant and Nancy Hunt.

Mark Funkhouser
City Auditor

Follow-up Audit: Reporting Accidents, Damage, and Loss

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Introduction

Objectives

This follow-up audit of the city's system for reporting accidents, damage, and loss to city assets was conducted pursuant to Article II, Section 13 of the Charter of Kansas City, Missouri, which establishes the Office of the City Auditor and outlines the city auditor's primary duties.

A performance audit is an objective, systematic examination of evidence to independently assess the performance of a government organization, program, activity, or function in order to provide information to improve public accountability and facilitate decision-making.[1] A follow-up audit is an examination for the purpose of reporting the extent to which an agency has dealt with problems identified in a prior audit.

This follow-up audit was designed to answer the following questions:

- Have procedures been established and a system implemented for collecting, analyzing, and reporting accident, damage, and loss information?

- Have procedures been established and implemented for conducting periodic inventories of the city's fixed assets?

Scope and Methodology

This follow-up audit was designed to determine the progress made in addressing problems identified in the March 1997 audit report.[2] It is not intended to be another full-scale audit of the city's system for reporting accidents, damage, and loss to city assets.

This follow-up audit was performed in accordance with generally accepted government auditing standards, with the exception of the completion of an external quality control review of the City Auditor's Office within the last three years.[3]

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[1] Comptroller General of the United States, *Government Auditing Standards* (Washington, DC: U.S. Government Printing Office, 1994), p. 14.
[2] *Reporting Accidents, Damages and Losses,* Office of the City Auditor, Kansas City, Missouri, March 1997.
[3] The last review was performed in April 1995. A peer review is planned for 2001.

Audit methods included:

- Reviewing the original audit and subsequent Audit Report Tracking System (ARTS) reports.

- Reviewing policies and procedures related to the city's accident, damage, and loss and fixed asset accounting systems.

- Interviewing staff responsible for the city's accident, damage, and loss and fixed asset accounting systems, and observing demonstrations of the systems.

- Interviewing risk managers in local businesses.

No information was omitted from this report because it was deemed privileged or confidential.

Background

Regulations and procedures related to reporting accidents, damages, and losses to city assets are included in the city's Administrative Regulations and Manual of Instructions. The security manager has overall responsibility for the accident, damage, and loss system. The Risk Management Division, Accounts Division, and Law Department have key responsibilities related to safeguarding assets.

Security Manager. The security manager's responsibilities include managing a database, called the Incident Reporting and Information Management Software (IRIMS) system. IRIMS contains information from individual accident, damage, and loss incident reports submitted by departments. The security manager receives the completed report forms and distributes analyses of incidents. He also conducts investigations and makes recommendations to safeguard city property.

Risk Management Division. The risk manager is responsible for directing all activities of an integrated risk management system and develops policies to minimize loss to city property and equipment. The Risk Management Division coordinates workers compensation and insurance claims.

Accounts Division. The Accounts Division maintains the central record of the city's fixed assets. Policies and procedures in MI 2-4, *Fixed Asset and Property Accounting System,* and in the *Kansas City Financial Management System Accounting Manual* are applicable to all

departments for reporting adjustments to fixed asset inventories. Departments report inventory changes to the division by using the appropriate asset input form. The fixed asset manager has no direct access to the IRIMS database. The manager must phone or email inquiries to the security manager in order to confirm departments' reports of assets lost or damaged beyond repair.

Law Department. The Law Department resolves claims against the city including those related to accidents, damage, and loss; workers' compensation claims; and injury claims against third parties. One employee in the Law Department's Recovery Section performs most of the IRIMS data entry.

Summary of the 1997 Audit

Our March 1997 performance audit identified needed improvements in the city's system for reporting accident, damage, and loss information and for managing the associated risks. We recommended that the city develop and implement procedures to collect, analyze, and report incident data in order to identify consistent problems and to minimize the risk of loss. We also recommended that the director of finance develop and implement procedures to provide periodic physical inventories and the ability to cross-reference incident reports with asset records.

The original recommendations are included in Appendix A. Audit Report Tracking System (ARTS) reports submitted by management are included in Appendix B.

Findings and Recommendations

Summary

The city's system for reporting accidents, damage, and loss to its assets has changed significantly since the release of our March 1997 audit. Regulations were consolidated and revised, a new reporting form and management information system were developed, and the positions of security manager, internal auditor, and risk manager were established.

Opportunities to strengthen the accident, damage, and loss system still exist. Although the consolidated regulations established a uniform policy for collecting information, compliance is inconsistent, reporting requirements are confusing, and dollar thresholds for reporting and managing incidents are too broad. Simplifying and clarifying reporting requirements would make the system more effective.

Information related to accidents, damage and loss remains fragmented, access to the database is restricted, and analysis is limited. Staff using the system indicated that it does not meet their needs. Although the accident, damage, and loss system is under the purview of the city's security manager, the data analysis duties required to manage the system more closely match the skills of those working in the Risk Management Division. Collection, analysis, and reporting of accident, damage, and loss information should be integrated into a comprehensive risk management information program to make it more useful.

The city's regulations do not require periodic physical inventory of the city's fixed assets. To assure the reliability of the fixed assets inventory, policies and procedures should be established for conducting periodic physical reviews.

Management of Accident, Damage, and Loss Information Needs Further Improvement

Improvements and changes in the city's system for collecting accident, damage, and loss information were implemented after the release of our original audit. (See Appendix C for a chronology of developments.) Regulations were revised and consolidated, however, reporting is inconsistent, critical information is not provided, and some written

procedures remain unclear. The same report form and level of detail are required for every incident regardless of the size or nature of the loss, making it difficult for management to focus on more important incidents.

Regulations Were Consolidated

Since the original audit, the city's Administrative Regulations and Manual of Instructions have been revised and multiple Administrative Regulations related to accidents, damage, and loss were consolidated. Our 1997 audit reported that some of the reporting procedures had not been updated since 1982.

Administrative Regulation (AR) 7-1, "Procedures for Reporting All City-Related Incidents, Accidents, or Thefts," governs the accident, damage, and loss system. It details reporting responsibilities and procedures for all employees. The stated purpose of the AR is to enable the city to:

- Provide a uniform policy for reporting all incidents.
- Determine the basic causes of incidents.
- Recommend and implement effective corrective action in order to eliminate or mitigate future incidents.
- Provide management with incident statistics for analysis.
- Recover property.
- File claims for insurance reimbursement.

Compliance With New Regulations Is Inconsistent

AR 7-1 requires employees to report all incidents via an accident, damage, and loss incident report form, but staff who work with the system believe that many incidents go unreported. Reporting requirements as outlined in city regulations are not clear and consistent. If incidents are not reported within the established policy, patterns of loss may go undetected.

All incidents may not be reported. The security manager, risk manager, and internal auditor believe that a significant number of accident, damage and loss incidents go unreported. Although AR 7-1 requires submission of a report regardless of the size or nature of the loss, some departments do not file a report on every incident. Instead, some departments manage losses through their budgets and report only incidents that are relatively significant or require the assistance of the Law Department. When all incidents are not reported according to the established requirements, significant problems or patterns could go undetected and aggregate analysis of information may be incomplete.

Reporting requirements are confusing. Reporting requirements in the Administrative Regulations and Manual of Instructions are not consistent or clear. The current system of phone, fax, and paper reporting is outlined in the regulation, instructions, and report form; however, the directions contained in the city's regulations are inconsistent. As a result, it is not clear to whom information should be provided and certain controls and reporting requirements established in the city's procedures are bypassed.

Reporting Requirements Are Too Broad

Currently, all incidents are supposed to be reported on a four-page form. Submitted reports, however, do not contain all of the information requested. The volume of incident reports produced by broad reporting requirements makes it difficult to distinguish between incidents meriting greater attention and those that should be handled more simply, perhaps by the departments themselves.

Establishing dollar thresholds could improve effectiveness. The current four-page form may be inappropriate for reporting small losses. Our 1997 audit recommended developing procedures that specify a dollar threshold for submitting reports and how to account for losses below that level. The city manager, in subsequent ARTS reports, also noted the need to evaluate alternative dollar reporting requirements.

Dollar thresholds help managers to focus their efforts on risks that have a higher likelihood of producing organizational benefits. The dollar loss and the associated level of risk should help determine how incidents are reported and at what organizational level different incidents should be addressed. The effectiveness of the accident, damage, and loss system could be improved by establishing dollar thresholds that help determine how losses of varying sizes will be handled.

Reports are frequently incomplete. Even when reports are received, key pieces of information, such as the identity of the individuals or property involved or dollar values, are not always reported. Despite the missing information, individual incident reports are entered into IRIMS, the accident, damage and loss database. The lack of identifying information, however, limits the usefulness of data contained in the system.

A simplified initial report form is needed. The accident, damage, and loss process could be improved by using a simplified initial reporting form to consistently obtain key pieces of information, including the estimated cost and the individuals involved in an incident. The initial reports could be reviewed to determine whether further investigation is

warranted. Subsequent investigation and corrective action should be taken at an organizational level that is appropriate to the amount of the loss and the associated level of risk.

The city manager should revise Administrative Regulation 7-1 to simplify and clarify reporting requirements, to establish dollar thresholds for reporting and managing incidents, and to establish instructions for accounting for losses below dollar thresholds.

A Comprehensive Risk Management Information System Should Incorporate Accident, Damage, and Loss Information

The system for collecting and managing accident, damage, and loss information is fragmented. Software installed to manage accident, damage, and loss information increased the city's capacity to identify and analyze incident information, but little analysis is performed and the information provided does not meet stakeholders' needs. A more comprehensive risk management information system that includes accident, damage, and loss information could offer more opportunities for analysis and improve efforts to minimize damage and loss to city property.

Departments and Divisions Maintain Separate Information Systems

The Risk Management Division, the Accounts Division, the Law Department, the security manager, and the internal auditor each use separate methods to manage information related to accidents, damage, and loss. Although these departments and divisions could benefit from links between systems containing the city's accident, damage, and loss information, such links do not currently exist. When asked, stakeholders reported that the current accident, damage, and loss database does not meet their information needs.

Patterns of Accidents, Damage, and Loss Are Not Identified

The Incident Reporting and Information Management Software (IRIMS) database was installed and the associated accident, damage, and loss incident report form was introduced early in 1999. Access to incident reports is restricted, however, and data available from the IRIMS database is limited. Although departments receive monthly reports based on IRIMS data, the reports do not analyze losses by cause, individual, location, or type of asset. As a result, important patterns of loss are not identified in the report. Such analysis could be useful for identifying

patterns of loss and for developing effective strategies to prevent loss in the future.

Causes of loss are not determined. One of the objectives of AR 7-1 is "to determine the basic causes of incidents and to recommend and implement effective corrective action in order to eliminate or mitigate future incidents of accident, injury, damage or loss." The incident report form contains a detailed checklist of 80 incident causes. Cause is not, however, a mandatory field in the IRIMS database.

Although the security manager's monthly reports include causes for most incidents, the reports do not provide a summary of common causes or group patterns of loss by individual, location, or type of asset. An analysis of incident information by cause or other criteria could provide useful information for identifying patterns of problems so that preventive measures can be taken.

Analysis is minimal. Management's standard source of accident, damage, and loss information is the security manager's *Monthly Incident Activity Report* provided to department directors. Each department's report is limited to that department's reported incidents for the month, along with prior year and prior month comparisons of the number of reported incidents by type. Some citywide information is also provided in postings of *Security News & Views* provided to employees on the city's electronic mail system.

Department access is restricted. Individual incident reports are readily available only to the security manager, risk manager, internal auditor, and the Law Department. Departments are to retain a copy of the original incident report but once the initial report is provided to the security manager, he assumes proprietary control over the information and will not provide a copy of the report to the originating department unless the department director makes a specific request.

The security manager periodically offers training on the IRIMS database. Those who complete training are provided password access to the information contained in the system. Some data is available and limited reviews may be performed within IRIMS through filtering, sorting, or grouping. Analysis is limited, however, because data cannot be downloaded from IRIMS.

Management Information Related to Accidents, Damage, and Loss Should Be Included in a Comprehensive Risk Management Program

Accident, damage, and loss information should be integrated into a comprehensive risk management information system. AR 7-1 assigns

responsibility for managing the city's accident, damage, and loss information to the security manager. ARTS reports, however, have suggested that certain compliance responsibilities might be more appropriately delegated to the risk manager.

Database management and analytical skills are needed. The skills required in the Risk Management Division appear to be better suited to the administration and analysis of database information than those skills required of the security manager. The risk manager is responsible for directing the city's integrated risk management system to minimize injury and sources of damage and loss to city property. The risk manager is also required to have knowledge of modern systems, organization, and management analysis techniques. In contrast, the security manager is responsible for the city's comprehensive security program, including the security of employees, visitors, and municipal property.

The security manager offers custom analysis of a department's reported accident, damage, and loss incidents, but he said he has not received any requests for custom reports. When we requested several reports from the security manager, we found that his available time and expertise were not sufficient to produce the reports requested.

Risk management's information system could incorporate accident, damage, and loss data. The Risk Management Division is planning to acquire management information software that could better accommodate the needs of major stakeholders in an integrated risk management system. New software is expected to provide controlled on-line database access and on-line incident reporting and data analysis. It is intended to be useful for improving safety, tracking trends and frequencies, and anticipating the effects of loss on department budgets.

The city's accident, damage, and loss information should be integrated into a comprehensive risk management information program, of which the IRIMS data would be one part. Incident information would continue to be available to the security manager for use in his security and investigative work, while freeing him from many database and analysis responsibilities.

The transfer of IRIMS information to a single risk management database, when combined with the anticipated capabilities of a new database system should decrease the level of information fragmentation that currently exists. The city manager should direct that accident, damage, and loss information be integrated into a comprehensive risk management information program.

Periodic Physical Inventories Should Be Conducted

The accuracy of the city's fixed asset inventory records remains a concern because periodic physical inventories are not conducted. The original audit recommended that inventory reliability be improved by using accident, damage, and loss incident reports to update inventory records and by conducting periodic physical inventories to compare inventory records with actual inventory. Unless inventory records are periodically verified through physical counts, records can be inaccurate and the city risks losing track of its assets.

Inventories Rely on Unverified Information

Each department's fixed asset coordinator uses fixed asset input forms to notify the Finance Department about changes to its fixed assets. Each coordinator has discretion on whether or not to conduct physical counts before certifying the accuracy of the asset list provided by Finance. The city's fixed asset inventory is based on each department's unverified certification.

Finance Plans to Require Inventory Counts

The Finance Department plans to require a periodic inventory of the city's fixed assets. Our original audit recommended that physical inventories of fixed assets be conducted. Finance recently notified departments that a new policy will require them to verify "with a physical inventory the presence of city property at least once every three years" and that Finance will "verify the accuracy of the inventory records by taking a physical inventory of city property in at least four different locations every year."[4]

To better assure the reliability of the city's fixed asset inventory, the director of finance should develop and implement policies and procedures for conducting periodic physical inventories of the city's fixed assets.

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[4] Fixed Asset Policy draft provided to the city auditor by the Finance Division's fixed asset administrator.

Recommendations

1. The city manager should revise AR 7-1 to simplify and clarify reporting requirements, establish dollar thresholds for reporting and managing incidents, and add instructions for accounting for losses below threshold levels.

2. The city manager should integrate the collection, analysis and reporting of accident, damage, and loss information into a comprehensive risk management information program.

3. The director of finance should develop and implement policies and procedures for conducting periodic physical inventories of the city's fixed assets.
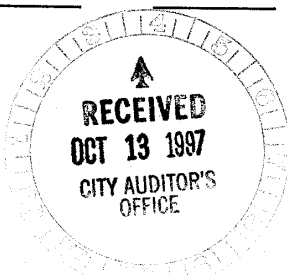
Appendix A

Prior Audit Recommendations

Prior Audit Recommendations

1. The directors of Finance and Business Affairs should work together to develop and implement new policies and procedures for reporting accidents, damages, and losses as part of an overall policy for the city's fixed assets. The procedures should specify the item value level at which reports must be submitted, as well as instructions on accounting for losses to items with values below that level. The procedures should, at a minimum, also include new pre-numbered forms, directions for updating asset records using the submitted reports and the *Fixed Asset Disposition* form, and require asset numbers to be recorded on reports.

2. The directors of Finance and Business Affairs should update the distribution list for accident, damage, and loss reports. Additionally, the city auditor should be added to the distribution list for accident reports.

3. The city manager should delegate responsibility for monitoring compliance with the new procedures to a department under his supervision. The city auditor should only receive copies of accident, damage, and loss reports for review.

4. The directors of Finance and Business Affairs should work together to establish procedures and implement a system for collecting, analyzing and reporting information about accidents, damages, and losses involving city assets.

5. The director of Finance should develop and implement written policies and procedures for conducting annual physical inventories of the city's fixed assets.

6. The director of Finance should require that the input fields for serial numbers and purchase order numbers in the FMS fixed asset module be mandatory entry fields.

Appendix B

ARTS (Audit Report Tracking System) Reports

Audit Report Tracking System

1. Audit Title	2. This Report Date
Reporting Accidents, Damages and Losses	09/10/97

3. Department	4. Last Report Date
City Manager/Finance	first report

5. Department Head	6. Contact Person/Phone
Robert Collins/Janice Reed	Gary Morris x2323

7. Audit Release Date	8. ARTS Number
March, 1997	967-027-1

9. Status of All Audit Recommendations

Status	Date	Status	Date
1 In progress			
2 In progress			
3 In progress			
4 In progress			
5 Implemented	April, 1997		
6 Implemented	April, 1997		

10. Recommendations Included in this Report

Recommendation No. 1: The directors of Finance and Business Affairs should work together to develop and implement new policies and procedures for reporting accidents, damages, and losses as part of an overall policy for the city's fixed assets. The procedures should specify the item value level at which reports must be submitted, as well as instructions on accounting for losses to items with values below that level. The procedures should, at a minimum, also include new pre- numbered forms, directions for updating asset records using the submitted reports and the Fixed Asset Disposition form, and require asset numbers to be recorded on reports.

Description of Status: In progress. The *Report of Damage and Loss to City Property* and *Supervisor's Damage and Loss Report* forms will be updated to include number identification, updating of proper department titles and a revision to the distribution list to include the City Auditor on all forms. The number assigned to the *Damage and Loss Reports* will be used as the disposition authority on the *Fixed Assets Disposition Form*, which is used to record the change in the fixed asset inventory record. These new policies and procedures will be incorporated into Administrative Regulations 7-2 and 7-5, which supersedes A.R. 7-9 and Manual of Instruction 5-4.

Recommendation No. 2: The directors of Finance and Business Affairs should update the distribution list for accident, damage and loss reports. Additionally, the city auditor should be added to the distribution list for accident reports.

Description of Status: In progress. As part of the overall review of the reports, the accident forms will be updated to include the City Auditor's Office in the distribution list as well as corrected department titles. These forms will also be redesigned so they contain all the information needed for input into the incident tracking data base the city will be acquiring.

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Audit Report Tracking System

Audit Title: Reporting Accidents, Damages, and Losses
Report Date: September 10, 1997

10. Recommendations Included in this Report (continued)

Pending the redesign of these forms, photocopies of the reports will be forwarded to the City Auditor and the Division of Accounts.

Recommendation No. 3: The city manager should delegate responsibility for monitoring compliance with the new procedures to a department under his supervision. The city auditor should only receive copies of accident, damage and loss reports for review.

Description of Status: In progress. The City Manager originally delegated the monitoring . compliance responsibilities to the Business Affairs Department. With the elimination of that department, the City Manager has delegated the compliance responsibility to the Accounts Division of the Finance Department. The Finance Department is currently reviewing its risk management operations, part of which includes the feasibility of re-establishing a risk manager position. If the risk manager position is added, this responsibility would likely transfer to this position.

Recommendation No 4: The directors of Finance and Business Affairs should work together to establish procedures and implement a system for collecting, analyzing and reporting information about accidents, damages, and losses involving city assets.

Description of Status: In progress. An initial project of the manager of security will be to evaluate the *Report of Damage and Loss to City Property* and *Supervisor's Damage and Loss Report* forms to add any relevant information so that the forms can be used in conjunction with the incident report system that the manger of security will be asked to install as part of the improvement of reporting and managing damage and losses by the city. The manager of security will also be assigned the task of acquiring the incident tracking data base.

Recommendation No. 5: The director of finance should develop and implement written policies and procedures for conducting annual physical inventories of the city's fixed assets.

Description of Status: Implemented. The Finance Department has developed and implemented written procedures for conducting an annual physical inventory of the city's fixed assets. The procedures were disseminated to departmental inventory project officers in April, 1997 and were used to conduct the fiscal year 1997 fixed asset count.

Recommendation No. 6: The director of finance should require that the input fields for serial numbers and purchase order numbers in the FMS fixed asset module be mandatory entry fields.

Description of Status: Implemented. In preparing for the fiscal 1997 fixed asset inventory the departmental inventory project officers were instructed that the serial number and purchase order number fields were required when entering documents into the FMS fixed asset module. In August, 1997 a memo and revised coding instructions for FMS fixed asset module documents were sent to the departmental inventory project officers. The memo listed several input fields that were changed from optional to required, serial number and purchase order number were included.

Audit Report Tracking System

1.	Audit Title Reporting Accidents, Damages and Losses	2.	This Report Date 05/06/98
3.	Department City Manager/Finance	4.	Last Report Date 09/10/97
5.	Department Head Robert Collins/Janice Reed	6.	Contact Person/Phone Rich Noll X2474
7.	Audit Release Date March, 1997	8.	ARTS Number 967-027-1

9. Status of All Audit Recommendations

Status	Date	Status	Date
1 In progress			
2 In progress			
3 In progress			
4 In progress			

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OFFICE

10. Recommendations Included in this Report

Recommendation No. 1: The directors of Finance and Business Affairs should work together to develop and implement new policies and procedures for reporting accidents, damages, and losses as part of an overall policy for the city's fixed assets. The procedures should specify the item value level at which reports must be submitted, as well as instructions on accounting for losses to items with values below that level. The procedures should, at a minimum, also include new pre-numbered forms, directions for updating asset records using the submitted reports and the Fixed Asset Disposition form, and require asset numbers to be recorded on reports.

Description of Status: In progress. The City Manager's Office has informed City departments that all accidents, damages and losses are to be reported regardless of value. As a result, the initial goal is to be able to perform analyses and spot trends to determine if a minimum reporting value needs to be established. Pre-numbered forms will be available to account for accidents, damages and losses along with directions for updating the fixed asset inventory using the *Fixed Asset Disposition Form*. All of these new procedures and policies will be incorporated into existing Administrative Regulations and the Manual of Instruction.

Recommendation No. 2: The directors of Finance and Business Affairs should update the distribution list for accident, damage and loss reports. Additionally, the city auditor should be added to the distribution list for accident reports.

Description of Status: In progress. Although the City Auditor's Office currently receives copies of accident, damage and loss reports, the new forms will include the Auditor's Office on the distribution list. The Manager of Security will be added to the distribution as well.

Audit Report Tracking System

Audit Title: Reporting Accidents, Damages, and Losses
Report Date: May 6, 1998

10. Recommendations Included in this Report (continued)

Recommendation No. 3: The city manager should delegate responsibility for monitoring compliance with the new procedures to a department under his supervision. The city auditor should only receive copies of accident, damage and loss reports for review.

Description of Status: In progress. The City Manager has delegated the monitoring compliance responsibilities to the Manager of Security, who will work in conjunction with the Risk Manager, when the appointment is made. We will evaluate the monitoring compliance responsibilities again at that time to determine if the proposed arrangement is effective. We will continue to make copies of the accident, damage and loss reports available for the City Auditor's review.

Recommendation No 4: The directors of Finance and Business Affairs should work together to establish procedures and implement a system for collecting, analyzing and reporting information about accidents, damages, and losses involving city assets.

Description of Status: In progress. The City has purchased incident tracking software to record and manage all accidents, damages and losses incurred by the city. The software will standardize incident tracking, assist with the management of investigations, generate reports, and help to perform analyses and spot trends. The database administrator will be the Manager of Security. We anticipate the system will be fully functional by Summer, 1998. Procedures will be incorporated in Administrative Regulations 7-2, 7-3, and 7-5 and Manual of Instruction 5-4 to take advantage of all the capabilities of the new database system.

Audit Report Tracking System

1. Audit Title	2. This Report Date
Reporting Accidents, Damages and Losses	12/09/98

3. Department	4. Last Report Date
City Manager/Finance	05/06/98

5. Department Head	6. Contact Person/Phone
Robert Collins/Janice Reed	Rich Noll X2474

7. Audit Release Date	8. ARTS Number
March, 1997	967-027-1

9. Status of All Audit Recommendations

Status	Date	Status	Date
1 In progress			
2 In progress			
3 In progress			
4 In progress			

10. Recommendations Included in this Report

Recommendation No. 1: The directors of Finance and Business Affairs should work together to develop and implement new policies and procedures for reporting accidents, damages, and losses as part of an overall policy for the city's fixed assets. The procedures should specify the item value level at which reports must be submitted, as well as instructions on accounting for losses to items with values below that level. The procedures should, at a minimum, also include new pre-numbered forms, directions for updating asset records using the submitted reports and the Fixed Asset Disposition form, and require asset numbers to be recorded on reports.

Description of Status: In progress. The City Manager has informed City Departments that all accidents, damages, and losses are to be reported regardless of value. The initial goal is to perform analyses and evaluate trends to determine if there is a minimum reporting value that should be established or if all accidents, damages, and losses should continue to be reported. The implementation of the City's new Information Reporting and Information Management System (IRIMS) will enable these analyses to be performed. This system is presently being installed and should be fully operational by the middle of February 1999. The need for pre-numbered forms will not be necessary as IRIMS assigns a unique incident number to all entries. IRIMS entries will also contain information that will enable the updating of the City's fixed asset files. Therefore, use of the Fixed Asset Disposition Form will not be needed.

Recommendation No. 2: The directors of Finance and Business Affairs should update the distribution list for accident, damage and loss reports. Additionally, the city auditor should be added to the distribution list for accident reports.

Audit Report Tracking System

Audit Title: Reporting Accidents, Damages, and Losses
Report Date: December 9, 1998

10. Recommendations Included in this Report (continued)

Description of Status: In progress. With the implementation of IRIMS, a distribution of the traditional report forms will not be necessary. A single "hard copy" form will be completed and that data will be input into IRIMS with the hard copy forwarded to the Risk Management Division of the of the Finance Department. A daily summary of the accident, damage, and loss reports will be telephoned into the City Hall Security Office (274-2345), and a 24-hour summary report will be produced. That summary report will be distributed to those parties needing the information including the City Auditor. All of these individuals will also have access to IRIMS and can gather additional information on the incidents from that source.
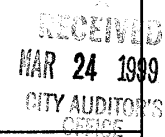
Recommendation No. 3: The city manager should delegate responsibility for monitoring compliance with the new procedures to a department under his supervision. The city auditor should only receive copies of accident, damage and loss reports for review.

Description of Status: In progress. The City Manager delegated the monitoring of compliance responsibilities to the Manager of Security, who, with the appointment of the City's Risk Manager, has been working jointly in implementing the recommendations contained in this Audit. It is possible that responsibility for monitoring compliance may be better assigned to the Risk Management Division. A final decision on this issue will be made after the City has had experience with IRIMS. The City Auditor will continue to receive copies of the Accident, Damage, and Loss reports. Once IRIMS is fully operational, the City Auditor will receive a copy of the 24-hour summary report and will have access to IRIMS.

Recommendation No 4: The directors of Finance and Business Affairs should work together to establish procedures and implement a system for collecting, analyzing and reporting information about accidents, damages, and losses involving city assets.

Description of Status: In progress. The City has purchased incident tracking software, IRIMS, to record and manage all accidents, damages, and losses incurred by the City. Loading of that software on the recently delivered dedicated server, on which IRIMS will operate, was completed within the past two weeks. IRIMS is operational, for testing purposes, in the Risk Manager's and Security Manager's offices. The IRIMS software standardizes incident tracking, assists with the management of investigations, generates reports and helps perform analyses and spot trends. This database will be administered by the Security Manager and the Risk Manager, but the Law Department, Finance Department, City Auditor, and operating departments will have access to it and can perform queries and trend analyses. It is anticipated that the system will be fully functional by the middle of February. A new Administrative Regulation is being written that consolidates A.R.s 7-1, 7-2, 7-3, and 7-5 into a single Administrative Regulation that provides the procedures to be followed in collecting, analyzing, and reporting information about all accidents, damages, and losses. Manual of Instruction 5-4 will be updated and modified to take advantage of the capabilities of the new database system.

Audit Report Tracking System

1. Audit Title	2. This Report Date
Reporting Accidents, Damages and Losses	03/31/99
3. Department	4. Last Report Date
City Manager/Finance	12/09/98
5. Department Head	6. Contact Person/Phone
Robert Collins/Janice Reed	Rich Noll X2474
7. Audit Release Date	8. ARTS Number
March, 1997	967-027-3

9. Status of All Audit Recommendations

Status	Date	Status	Date
1 Implemented	03/01/99		
2 Implemented	03/01/99		
3 Implemented	03/01/99		
4 Implemented	03/01/99		

10. Recommendations Included in this Report

Recommendation No. 1: The directors of Finance and Business Affairs should work together to develop and implement new policies and procedures for reporting accidents, damages, and losses as part of an overall policy for the City's fixed assets. The procedures should specify the item value level at which reports must be submitted, as well as instructions on accounting for losses to items with values below that level. The procedures should, at a minimum, also include new pre-numbered forms, directions for updating asset records using the submitted reports and the Fixed Asset Disposition form, and require asset numbers to be recorded on reports.

Description of Status: Implemented. As of March 1, a new Administrative Regulation went into effect along with new reporting procedures and a new reporting form (see attached) for the documentation of all accidents, damages, and losses. The new reporting form replaces four forms that were previously used to report these incidents. In additon, in order to reduce delays, it is now required to report all known information concerning an incident before the end of an employee's shift. Additional data can be submitted as it is discovered. At this time, all accidents, damages, and losses are being reported regardless of value. This information will be analyzed and trends evaluated in an effort to determine if some other minimum reporting value should be established. In addition to completing a written report form on all accidents, damages, and losses; all motor vehicle accidents, all personal injuries, all suspected thefts, and all incidents resulting in property damage or loss appearing to exceed $500 must be immediately reported by telephone to City Hall security. A daily incident summary of these incidents is circulated by fax every working day. The City has also implemented a new Information Reporting and Information Management System (IRIMS). IRIMS will maintain the databse of all incidents and perform various analyses of the data to assist the City in developing measures to reduce the occurrence of such incidents. IRIMS went fully on-line on March 1. IRIMS also eliminates the need for pre-numbered forms, as the IRIMS system assigns a

Audit Report Tracking System

Audit Title: Reporting Accidents, Damages, and Losses
Report Date: March 31, 1999

10. Recommendations Included in this Report (continued)

unique incident number to all entries. IRIMS entries contain information that will enable the updating of the City's fixed asset files; therefore, use of the Fixed Asset Disposition Form will not be needed.

Recommendation No. 2: The Directors of Finance and Business Affairs should update the distribution list for accident, damage, and loss reports. Additionally, the City Auditor should be added to the distribution list for accident reports.

Description of Status: Implemented. The City Auditor is receiving the daily incident summary of all incidents, and the Auditor's Office has direct access to the IRIMS system and can perform analyses and otherwise manipulate the data contained in the database. Individual departments will receive routine reports on a periodic basis and may request special reports from the Security Manager at any time.

Recommendation No. 3: The City manager should delegate responsibility for monitoring compliance with the new procedures to a department under his supervision. The City Auditor should receive copies of accident, damage, and loss reports for review.

Discription of Status: Implemented. The City Manager delegated the monitoring of compliance responsibilities to the Security Manager who reports directly to the City Manager. It is possible that, after further experience with IRIMS, this responsibility may be better delegated to the Risk Manager, but there has not been adequate experience with IRIMS and the new procedures to make that assessment at this time. The City Auditor is receiving a copy of the daily incident summary and has direct access to IRIMS.

Recommendation No. 4: The Directors of Finance and Business Affairs should work together to establish procedures and implement a system for collecting, analyzing, and reporting information about accidents, damages, and losses involving city assests.

Description of Status: Implemented. IRIMS is the tool that provides the storage, analysis, and reporting of the accident, damage, and loss data that is collected. This system is now on-line and the Security and Risk Management Division each have direct access to the system as does Law and the City Auditor's Office. Incidents occurring in the field are manually reported on the standardized report form and copy is faxed to the Security Manager for input into IRIMS. This arrangement assures consistency in data entry. A new Administrative Regulation has also been implemented and it consolidates A.R.'s 7-1, 7-2, 7-3, and 7-5 into a single comprehensive Administrative Regualtion providing procedures for collecting, analyzing, and reporting information about all accidents, damages, and losses and how this data shall be reported for input into IRIMS. An instruction manual has been prepared and training sessions held on how to complete the new report form for accidents, damages, and losses.

CITY OF KANSAS CITY, MISSOURI
REPORT OF ACCIDENT, INJURY, DAMAGE, LOSS/THEFT OR SECURITY INCIDENT

GENERAL INSTRUCTIONS

1. This report must be completed for ALL motor vehicle accidents, personal injuries, damages, losses/thefts and security incidents involving the City, City employees or City Property and/or members of the public through their interaction with the City, City employees, City property or a City activity.
2. This report must be completed before the end of the employee's shift, and FAXED to 274-2434 within two (2) working days of the incident. Mail original reports to Risk Management/Security for filing.
3. IN ADDITION, CITY HALL SECURITY (274-2345) MUST BE IMMEDIATELY NOTIFIED OF **ALL** MOTOR VEHICLE ACCIDENTS, PERSONAL INJURIES AND THEFTS. ALSO NOTIFY CITY HALL SECURITY (274-2345) OF ALL PROPERTY DAMAGE AND LOSSES MORE THAN $500.

CHECK ONE (1) CATEGORY   **PLEASE PRINT, USE BLACK INK**

☐ **MOTOR VEHICLE ACCIDENT REPORT (Category),** Complete Sections A, B, C, D, E, F, G, H & J. ALL motor vehicle accidents involving City employees or City property of any kind, (e.g., signs, signals, fencing, fixtures or buildings). **INJURIES TO CITY EMPLOYEES ARE ALSO TO BE REPORTED ON FORM 1271-337**

CHECK ONE (1) SUB-CATEGORY	CHECK ONE (1) TYPE
☐ City Owned Vehicle	☐ No Property Damage, No Injury Occurred
☐ City Leased Vehicle	☐ Property Damage Occurred, No Injury
☐ Employee Owned Vehicle (On City Business)	☐ No Property Damage, Physical Injury Occurred
☐ Citizen Owned Vehicle	☐ Property Damage, Physical Injury Occurred

☐ **NON-CITY PERSONAL INJURY REPORT (Category),** Complete Sections A, B, C, D, E, F, G, H & J. All personal injuries involving Non-City employees (members of the general public) through their interaction with the City in some way. No motor vehicle accident occurred. **INJURIES TO CITY EMPLOYEES ARE TO BE REPORTED ON FORM 1271-337**

CHECK ONE (1) SUB CATEGORY

☐ Visitor	☐ Spectator	☐ Incidental Victim
☐ Customer	☐ Activity/Event Participant	
☐ Contractor/Vendor	☐ Other_____	

☐ **DAMAGE REPORT (Category),** Complete Sections A, B, C, D, E, F, H & I. ALL incidents resulting in property damage belonging to the City, its employees' or members of the public through their interaction with the City in some way.

CHECK ONE (1) SUB-CATEGORY	CHECK ONE (1) TYPE		
☐ City Property	☐ Building	☐ Lighting	☐ Pipe Line
☐ Employee Property	☐ Door/Window	☐ Vehicle	☐ Underground Wiring
☐ Citizen Property	☐ Wall	☐ Office Equip.	☐ Overhead Wiring
☐ Utility Damaged	☐ Chemical Spill	☐ Pole/Sign	☐ Other_____

☐ **LOSS/THEFT REPORT (Category),** Complete Sections A, B, C, D, E, F, H & I. ALL incidents of loss/theft to the City, its employees, and or members of the public through their interaction with the City in some way.

CHECK ONE (1) SUB-CATEGORY	CHECK ONE (1) TYPE	
☐ City Property	☐ From Building	☐ From Vehicle
☐ Employee Property	☐ From Outside Work Area	☐ From Building Common Area
☐ Citizen Property	☐ From Office	☐ From Closet/Locker
	☐ From Storage Area	☐ Other_____

☐ **SECURITY INCIDENT REPORT (Category),** Complete Sections A, B, C, D, E, F & I. ALL security-related incidents or any incident that is NOT defined above.

(List sub-category, other than above)_____ _IR-17_

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PLEASE PRINT, USE BLACK INK

SECTION A

DEPARTMENT:	DIVISION:

BUILDING/SITE NAME & STREET ADDRESS		

LOCATION INSIDE/AT THE BUILDING/SITE	

DATE & TIME OF OCCURRENCE							
Date / /	Time	AM/PM	TO	Date / /	Time		AM/PM

DATE & TIME OF REPORT	DATE / / TIME AM/PM

SECTION B — HOW DID THE INCIDENT OCCUR?

MOTOR VEHICLE ACCIDENT (Indicate Vehicle #1 or #2)	PERSONAL INJURY (Indicate Person #1 or # 2)	DAMAGE	LOSS/THEFT OR SECURITY INCIDENT
__Failure to Yield __Careless Driving __Stop Sign Violation __Traffic Signal Violation __Improper Turning __Improper Lane Use __Improper Lane Change __Improper Passing __Improper Backing __Improper Start from Stop __Improper Side of Road __Wrong Way on One Way __Exceeding Speed Limit __Speed, Fast, Conditions __Following too Close __Influence, Alcohol/Drug __Equipment Failure __Vehicle Defects __Physical Impairment __Inattention __Slippery Road Surface __Poor Visibility __Other_____ __Other_____	__Careless or Inattention __Horseplay __Bite/Sting/Needle Stick __Failure to Obtain Help __Disregarded Instructions __Unsafe Equipment __ Safety Device Altered __Insufficient Training __Improper Housekeeping __Inadequate Maintenance __Improper Lifting Tech. __Improper Tool __Improper Use of Tool __Violated Rule/Procedure __Failure to Provide PPE* __Failure to Use PPE __Improper Use of PPE __Influence, Alcohol/Drug __Criminal Act – Assault __Motor Vehicle Accident __Trip/Fall __Unknown Illness/Disease __Other_____ *PPE = Personal Protective Equipment	__Accidental __Sabotage __Vandalism __Fire __High Winds __Electrical Storm __Snow Storm __Ice Storm __Flood __Power Outage __Earthquake __Excavation __Abuse __Other_____ **UTILITY DAMAGE** was **1-800-DIG-RITE** notified prior to excavation? YES or NO Enter serial # __ __ __ __ __ __	__Careless or Inattention __Equipt. Left Unattended __Threat with a Weapon __Physical Threat __Item Carried Away __Cash Shortage __Inventory Shortage __Building Door Unlocked __Building Window Unlock __Building Door Pried __Building Window Pried __Building/Area Key Available __Vehicle Unlocked __Vehicle Keys in Ignition __Vehicle Window Broken __Vehicle Stolen, By Unknown Means __Fraud/Forgery __Employee Involvement __Unknown, No Foul Play __Attempted, Door Pried __Attempted, Window Pried __Attempted – Carry Away __Other_____ __Other_____

SECTION C

REPORT TAKEN/WRITTEN BY	

RESPONDING/RESPONSIBLE SUPERVISOR	

REPORTED TO POLICE?	(Check One) __YES __NO	POLICE REPORT #

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PLEASE PRINT, USE BLACK INK

SECTION D   NARRATIVE (DESCRIBE THE INCIDENT) Use Additional Lined Paper if Necessary

EMPLOYEE'S SIGNATURE	**DATE** / /

SECTION E   SUPERVISOR'S COMMENTS & CORRECTIVE ACTION

SUPERVISOR'S SIGNATURE	**DATE** / /

SECTION F   INCIDENT PERSON(S)

1	CITY EMPLOYEE ? YES or NO	CIRCLE ONE:	DRIVER VICTIM PERSON REPORTING SUSPECT WITNESS OTHER

LAST NAME OR FIRM		FIRST NAME	MIDDLE	HOME/FIRM PHONE #
ADDRESS		CITY	STATE	ZIP
EMPLOYER/ DEPARTMENT	SOCIAL SECURITY NUMBER		OCCUPATION	
DATE OF BIRTH MO. DAY YR.	MALE OR FEMALE ?	WORK PHONE #	Did the incident occur on City Property ?	CIRCLE YES NO

2	CITY EMPLOYEE ? YES or NO	CIRCLE ONE:	DRIVER VICTIM PERSON REPORTING SUSPECT WITNESS OTHER

LAST NAME OR FIRM		FIRST NAME	MIDDLE	HOME/FIRM PHONE #
ADDRESS		CITY	STATE	ZIP
EMPLOYER/ DEPARTMENT	SOCIAL SECURITY NUMBER		OCCUPATION	
DATE OF BIRTH MO. DAY YR.	MALE OR FEMALE ?	WORK PHONE #	Did the incident occur on City Property ?	CIRCLE YES NO

SECTION G   PERSONAL INJURY

PERSON #1	DESCRIPTION OF INJURY	MEDICAL TREATMENT YES or NO ? REQUIRED AT THE SCENE ? LIST MEDICAL FACILITY _____

HOW DID THE INJURY OCCUR?

PERSON #2	DESCRIPTION OF INJURY	MEDICAL TREATMENT YES or NO ? REQUIRED AT THE SCENE ? LIST MEDICAL FACILITY _____

HOW DID THE INJURY OCCUR?

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PLEASE PRINT, USE BLACK INK

SECTION H	DAMAGE TO/DESCRIPTION OF VEHICLE(S)		

1 **VEHICLE DAMAGE**			ESTIMATED REPAIR $ COST
LICENSE NUMBER	STATE 0F ISSUE	REGISTERED OWNER	V.I.N. #
COLOR	MAKE	INSURANCE COMPANY	POLICY NUMBER

2 **VEHICLE DAMAGE**			ESTIMATED REPAIR $ COST
LICENSE NUMBER	STATE 0F ISSUE	REGISTERED OWNER	V.I.N. #
COLOR	MAKE	INSURANCE COMPANY	POLICY NUMBER

SECTION I	LIST OF PROPERTY LOST, STOLEN, DAMAGED OR DESTROYED		

DESCRIPTION OF PROPERTY	Asset Tag #, Serial # or V.I.N.	ESTIMATED VALUE	Recovered Yes or No ?

(Use Additional Lined Paper if Necessary)

SECTION J	DIAGRAM OF VEHICULAR ACCIDENT OR PERSONAL INJURY

Indicate North

(Identify Vehicles, Streets & Indicate Direction of Travel)

WRITTEN REPORTS MUST BE COMPLETED PRIOR TO THE END OF THE EMPLOYEE'S SHIFT. IN ADDITION, CITY HALL SECURITY (274-2345) MUST BE IMMEDIATELY NOTIFIED OF: ALL MOTOR VEHICLE ACCIDENTS, PERSONAL INJURIES & THEFTS. ALSO NOTIFY CITY HALL SECURITY (274-2345) OF ALL PROPERTY DAMAGE IN EXCESS OF $500. ALL WRITTEN REPORTS MUST BE FAXED TO 274-2434 WITHIN 48 HOURS OF THE INCIDENT. ORIGINAL REPORTS ARE TO BE MAILED TO RISK MANAGEMENT FOR FILING.

☐ Check if this is a first report of incident. ☐ Check if this is an update to an incident previously reported.
COPY & FORWARD ORIGINAL TO RISK MANAGEMENT & SECURITY

IR-17

1271-113 (2/99)

Appendix C

Chronology

Chronology

The following is a chronology of developments related to the city's management of risk and fixed asset inventories since our original audit was issued in March 1997.

3/97   *Performance Audit: Reporting Accidents, Damages, and Losses* issued by the City Auditor's Office.

5/97   Director of Business Affairs position eliminated. Accident, damage, and loss management transferred to the Accounts Division of the Finance Department.

9/97   New Security Manager position filled.

5/98   Responsibility for accident, damage, and loss management transferred to the Security Manager.

7/98   New Risk Manager position filled.

3/99   Incident Reporting and Information Management Software (IRIMS) installed.

AR 7-1, *Procedures for Reporting All City-Related Incidents, Accidents, or Thefts*, consolidates previous ARs 7-1, 7-2, 7-3 and 7-5. Incident reporting form issued.

5/99   MI 2-4, *Fixed Asset and Property Accounting System* introduces electronic asset input forms available via KCFMS.

MI 5-1, *Reporting Damages and Losses to City Property*, refers to AR 7-1.

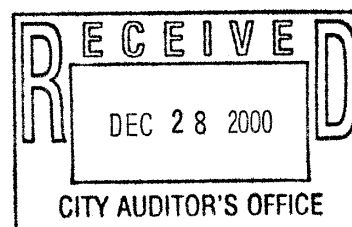8/99   New Internal Auditor position filled.

11/99   Ethics Hotline activated.

9/00   AR 7-2, *Workers' Compensation Program*, issued.

Appendix D

City Manager's Response

Office of the City Manager

DATE: December 28, 2000

TO: Mark Funkhouser, City Auditor

FROM: Robert L. Collins, City Manager

SUBJECT: Follow-Up Audit on Accidents, Damages and Losses

In response to the follow-up audit on Accidents, Damages, and Losses, I wish to first express appreciation for the audit acknowledging the improvements that have occurred in this area since the original audit was issued in March 1997. It is my opinion that great strides have been made over the last three years. I also appreciate the time you and your staff took to meet with members of my staff to provide additional clarity to items contained in the follow-up audit.

RECOMMENDATION NO. 1:

The City Manager should revise A.R. 7-1 to simplify and clarify reporting requirements, establish dollar thresholds for reporting and managing incidents, and add instruction for accounting for losses below threshold levels.

A.R. 7-1 will be reviewed and reporting requirements more clearly delineated. Opportunities to provide for electronic reporting of incidents and simplified reporting of minor incidents will also be explored. In regard to dollar thresholds, we will continue to follow the guidance of the *Protection of Assets Manual* that states "For loss reporting to work at optimum levels, it is important that the definition of loss be drawn sharply and that it include as many items as possible...." and "It is far more valuable to know when and where certain items of supply... are disappearing than merely to know the gross value of lost items." (POA 23-34) All the same, we will establish a dollar value threshold for accidents and damages, and will establish some other reporting threshold for thefts and losses that will better enable management to focus on those areas of greatest significance while maintaining a system that encourages the reporting of incidents and a reporting process that is easily understood.

RECOMMENDATION NO. 2:

The City Manager should integrate the collecting, analysis, and reporting of accident, damage, and loss information into a comprehensive risk management information program.

I fully support the implementation of a system that better addresses the needs of all stakeholders of this information, better enables them to access and analyze data, but that also continues to meet the needs of the City's security manager and provides him timely data access and reporting

Mark Funkhouser
December 28, 2000
Page #2

capabilities that is approximately identical to that which he has access under the current system. It was the goal of the Incident Reporting Management System (IRIMS) currently in use to consolidate this data, permit analysis of it, and enable reporting of that data to managers, and to a large extent it has accomplished this, but it lacks the full capabilities of a comprehensive risk management system. While such a system is in the process of being selected and acquired, the Security Manager will continue working with these other stakeholders to determine if IRIMS can be better used to their benefit in the interim.

Please advise if you wish to discuss this further.
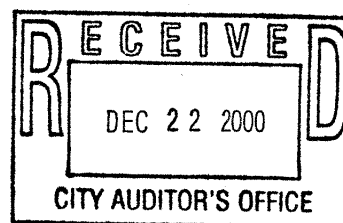
Robert L. Collins

RLC:emm

Appendix E

_____

Finance Director's Response

Interdepartmental Communication

RECEIVED

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CITY AUDITOR'S OFFICE

DATE: December 20, 2000

TO: Mark Funkhouser, City Auditor

FROM: Kevin Riper, Director of Finance

SUBJECT: Follow-up Audit: Reporting Accidents, Damage and Loss

Recommendation No. 3 in the Follow-up Audit: Reporting Accidents, Damage and Loss states "The director of finance should develop and implement policies and procedures for conducting periodic physical inventories of the city's fixed assets".

The Finance Department agrees with this recommendation and has drafted a policy on periodic fixed asset inventory counts, which will be incorporated into the Finance Department's Manual of Instruction 2-04 "Fixed Asset and Property Accounting System". The policy has been drafted to be in compliance with the Government Finance Officers Association's (GFOA) recommended practices for "The Need for Periodic Inventories of Capitalized Fixed Assets". This recommended best practice calls for a physical inventory either simultaneously or on a rotating basis, so that all of a government's fixed assets are physically accounted for at least once every five years. The city is currently within the guidelines of this recommended practice.

The Finance Department utilizes a perpetual inventory system, which requires departments to update the fixed asset records within ten working days of an acquisition or disposition of property. Department reviews of fixed asset records are required at the end of each fiscal quarter, excluding the fourth quarter, to verify the perpetual inventory records.

The policy on periodic fixed asset inventory counts, which calls for a physical inventory at least once every three years, will be implemented for the fiscal year 2000-01 annual audit. At that time, a citywide physical inventory will be required. The last citywide physical count occurred during fiscal year 1996-97.

Attached to this response is a copy of MI 2-04 and the GFOA Recommended Practices document on capitalized fixed assets.

cc: City Manager's Office

DRAFT

MANUAL OF INSTRUCTION
ACCOUNTS DIVISION

MI No. 2-04
December 11, 2000

SUBJECT: FIXED ASSET AND PROPERTY ACCOUNTING SYSTEM

I.   SCOPE: The following instruction establishes procedures for maintaining the fixed asset and property accounting system for the control and accounting of City personal and real property.

II.   APPLICATION: This instruction is applicable to all departments, boards, and agencies of the City of Kansas City, Missouri.

III.   AUTHORITY: This instruction is written pursuant to the authority contained in Article IV, Section 77 of the Charter and Section 2-191 of the Code of General Ordinances of the City of Kansas City, Missouri.

IV.   RESCISSION: This instruction supersedes MI No. 2-6, dated May 1, 1999.

V.   RESPONSIBILITY:
        A.   Personal Property.
                1.   Each department, board, or agency is responsible for:
                        a.   Complete accountability for all personal property (fixed assets & controlled) that are within its custody and for proper care, physical protection, and safeguarding of these assets;
                        b.   Recording changes to its personal property fixed asset data base. (These changes include all additions, deletions, transfers, and corrections);
                        c.   Transmitting changes to fixed assets within ten working days of the change to the Division of Accounts using either one of the electronic documents available in the Kansas City Financial Management System (KCFMS) or one of the following fixed asset system paper documents:
                                (FIXED ASSET ACQUISITION INPUT FORM #1271-111) - To record new assets.
                                (FIXED ASSET BETTERMENT INPUT FORM #1271-110) - To record improvements to existing assets.
                                (FIXED ASSET MODIFICATION INPUT FORM #1271-109) - To record changes or adjustments to existing assets.
                                (FIXED ASSET DISPOSITION INPUT FORM #1271-108) - To record disposition of assets.
                                (FIXED ASSET INTERNAL SALES INPUT FORM #1271-106) - To record the sale of an asset within the city.

DRAFT

<div style="margin-left: 2em;">

(FIXED ASSET TRANSFER INPUT FORM #1271-107) - To record the ownership transfer of an asset.

d.   Reviewing the quarterly Personal Property Inventory Listing, transmitting any additions, deletions, transfers, or corrections necessary to bring the listing up to date and certifying verification of the data listed on the listing for the end of the fiscal year; and

e.   Conducting a physical inventory of all fixed assets either simultaneously or on a rotating basis at least once every three years: and

f.   Marking City personal property with decals provided by the Division of Accounts or using another means to identify the property with the assigned fixed number.

</div>

2.   The Division of Accounts, Finance Department, is responsible for:

<div style="margin-left: 2em;">

a.   Reviewing and editing all City Personal Property Inventory Update forms submitted by departments for completeness of data;

b.   Scheduling the information to be entered into the fixed asset file;

c.   Providing copies of fixed asset reports to departments each quarter and as requested by departments; and

d.   Conducting a physical inventory of fixed assets, including all city personal property, in at least 4 different locations every year; and

e.   Ordering, issuing, and maintaining a record of decals distributed to departments.

</div>

3.   The Department of Information & Technology is responsible for maintaining the system operating software.

B.   Real Property.

1.   The Division of Property and Acquisition, City Planning & Development Department is responsible for:

<div style="margin-left: 2em;">

a.   Maintaining records of ownership of all city real property, as well as recording the disposition, sale, or renovation of all city real property; and

b.   Transmitting information pertaining to changes in the fixed asset data base on city real property to the Division of Accounts using one of the six fixed asset input forms previously noted in section V.A.1.c.

</div>

2.   The City Architect is responsible for providing the Property and Acquisition Division with cost information on all new buildings and major renovations upon completion of such projects.

C.   The Director of Finance promulgates or approves all basic policy matters regarding fixed assets and major changes to the fixed asset system.

VI.   <u>DEFINITION OF TERMS</u>:

A.   Fixed Asset - Non-consumable property and equipment having a life expectancy greater than one year and a value of $1,500 or more.

B.   Controlled Assets - Property with a useful life greater than one year and a value of $150 or more (departments may set a smaller value), but less than $1,500.

C.   Real Property - Non-movable fixed assets such as land and buildings.

DRAFT

D.   Personal Property - Assets, other than real property, with a useful life greater than one year.

VII.   PROCEDURES
       A.   Personal Property.
              1.   Departments shall follow the instructions in the KCFMS Accounting Manual, Volume III when reporting changes in their inventory of City personal property.
              2.   Personal Property Inventory Listing:
                     a.   At the beginning of each quarter of the fiscal year, the Accounts Division will distribute, by Department-Agency/Location, a listing of personal property to each department.
                     b.   Each department will review the listing, update their personal property file, and sign a certification statement prepared as shown in Exhibit 1. All changes to be made will be submitted on one of the fixed asset input documents, which will be attached to the certification statement. The certification statement and changes will be sent to the Division of Accounts within 10 working days after the listing is printed.
       B.   Real Property.
              1.   The Division of Property and Acquisition shall follow its manual of procedures when reporting changes in City real property. Changes are to be reported within ten working days after receipt, disposal, or completion of renovation of City real property on one of the six fixed asset input forms.
              2.   An annual review and update of real property will be made one month prior to the end of the fiscal year to insure that accurate financial statements are prepared.
       C.   Depreciation
              1.   There will be no depreciation of fixed assets within the General Fixed Asset Account Group.
              2.   Internal service fund fixed assets will be depreciated on a straight line basis from the day the asset is placed into service. Vehicles and light equipment will be depreciated over 5 years. Heavy machinery will be depreciated over 10 years.
              3.   Enterprise fund fixed assets will be depreciated in a manner based upon GAAP.

                                   Gary Morris
                                   Commissioner of Accounts

EXHIBIT 1

DRAFT

Inter-Departmental Communication

DATE   February 6, 1998

TO   Gary D. Morris, Commissioner of Accounts

FROM

SUBJECT   Certification of City Personal Property Inventory Update

I have reviewed the information contained in the City Personal Property Update for Department-Agency/Location ___012 ACC1____for the quarter ending January 31, 1998, and certify that it is complete and correct with the exception of the attached changes.

Name (signed)   _____

Title   _____

GFOA Recommended Practice[5]

The Need for Periodic Inventories of Capitalized Fixed Assets (1997)

Background.   In the public sector, the term "fixed assets" is used to describe land, buildings, equipment, and improvements other than buildings used by a government in the provision of goods or services to citizens. It is essential that governments establish and maintain appropriate inventory systems for their capitalized fixed assets. Such systems are needed to protect fixed assets from the danger of loss or misuse.

Many governments have installed "perpetual" inventory systems to maintain effective control over their fixed assets. Perpetual inventory systems are constantly updated to reflect additions and deletions of fixed assets, thus providing managers with direct access throughout the year to reliable information on current balances in fixed asset accounts.

One advantage of establishing and maintaining a sound perpetual inventory system for fixed assets is that such a system can relieve a government of the burden of performing an annual inventory of its fixed assets. Instead, managers and auditors can use tests of randomly selected items to verify that the inventory system for fixed assets is continuing to function properly as designed.

Recommendation.   The Government Finance Officers Association (GFOA) recommends that every state and local government perform a physical inventory of its capitalized fixed assets, either simultaneously or on a rotating basis, so that all of a government's fixed assets are physically accounted for at least once every five years. While well-designed and properly maintained perpetual inventory systems can eliminate the need for an annual inventory of a government's fixed assets, no inventory system is so reliable as to eliminate completely the need for a periodic physical inventory of a government's fixed assets.

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[5] *Recommended Practices for State and Local Governments,* Government Finance Officers Association, March 2000, p. 21.